THE RISE OF CAPITALISM ON THE PAMPAS

THE ESTANCIAS OF BUENOS AIRES, 1785–1870

SAMUEL AMARAL
Northern Illinois University

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Introduction

The golden age of Argentine growth, from 1880 to 1930, has attracted the attention of countless scholars. Whether the intention is to explain what went wrong later or just to understand what was right then, there is no dearth of interpretations on how agricultural exports led a process of growth that put Argentina among the richest countries on earth by the end of that period.

Whatever the reasons for Argentina's failure to keep that pace after 1930, there is no question about that period of growth, expansion, and development (if this now outdated word means anything at all). It cannot be questioned either that the reasons behind it were a steady overseas demand for agricultural goods, improvements in transportation (railroads and shipping), technological change (ranging from the introduction of wire fencing and windmills to meat-packing plants), an increasing supply of labor (the massive inflow of migrants from southern Europe), and the incorporation of new lands into production. These are the factors usually mentioned, but institutional stability was a key element for it as well. A stable political system, a government with an increasing ability to enforce the law, and a clear set of rules were, in the long run (there were short-term setbacks), decisive for that expansion.

It has always been clear that institutional change was responsible for prosperity. For Mitre, the impressive growth that had taken place from 1810 to the 1870s was possible due to the removal of the colonial restraints in 1810. The amazing expansion of that period, however, became a sort of dark age for many scholars due to the brighter reflections of later affluence. It was a dark age as well because the pattern of landholding emerging at that time was blamed for the twentieth-century troubles. According to this view, large rural properties were good enough to enrich their owners but were socially and economically inefficient – socially inefficient because landless immigrants were forced into tenancy, economically inefficient because output was kept below capacity. Reform-minded scholars – whether conservative, liberal, or Marxist – held that view without noticing that blaming latifundia for those troubles meant the implicit acceptance of

their previous efficiency during the upswing.[1] Roberto Cortés Conde and Ezequiel Gallo, however, have dispelled those views by emphasizing the efficiency and economic origin of that pattern of landholding on the pampas.[2]

For early-day Marxist historians, those large rural properties were the manifestation of a pre-capitalist mode of production.[3] Latter-day Marxist scholars have to some extent dismissed that view. Although there are still die-hards for whom the evidence of an increasing partition of landholdings in the long run is not enough to stop them talking about the monopoly of land, there are moderates who fully accept that, in spite of the differences between the industrialized countries and the pampas, a peculiar kind of capitalism developed on the latter.[4]

Scholars who did not feel attached to the early Marxist orthodoxy, less worried by the identification of that stage of capitalism, were ready to accept that that was capitalism. Since for them history was not leading to the proletarian dictatorship, they did not feel any pressure either to look for proletarians or to characterize the mode of production. The problem remained, nonetheless, how to explain the emergence of that capitalism, and how to account for the period preceding that golden age.

Tulio Halperín Donghi has emphasized the accuracy of Mitre's interpretation, using better information and more sophisticated analytical tools.[5] There was a process of growth before 1880 that can be explained both in economic and institutional terms. In economic terms, it was due to the local reaction to foreign stimuli. Overseas demand for agricultural products was met by the rural producers of the pampas by adjusting their production to shifting conditions. In institutional terms, it was due to a fledgling institutional development that, instead of working in favor of privilege and regulations, tended to guarantee the free operation of market forces. Far from its connotations as a stage of economic development (whether in the Marxist or the Rostow version), capitalism, understood as the prevalence of market forces, was therefore prevailing on the pampas in the early nineteenth century, when the colonial mercantilism vanished.[6] Recent scholarship has therefore pushed backward in time the usefulness of

1 "Conservative," "liberal," and "Marxist" are, obviously, hard to define. These concepts refer mainly to the preferences of the authors themselves, without questioning what type of conservative, liberal, or Marxist each of them is. Some crudeness in the utilization of these categories remains inevitable.

2 Cortés Conde (1979), Gallo (1983).

3 Oddone (1956). The first edition of this book is from 1930. For a recent manifestation of this old-fashioned interpretation, see Wedovoy (1994).

4 For review articles of the neo-Marxist literature, see Míguez (1986) and Sabato (1993).

5 Halperín Donghi (1963) and (1989).

6 "Capitalism" is used in this sense by Mises (1963), 258. For "mercantilism," a system in which non-market forces prevail in the allocation of resources, see Ekelund and Tollison (1981).

that concept to describe the organization of the economy on the pampas. From a neo-Marxist perspective, Hilda Sabato used it while studying the economic and social organization of wool production from the 1840s to the 1880s, and from the vantage point of the staple theory, Jonathan Brown has examined that first period of livestock export-led growth, from 1810 to the 1860s.[7] There was capitalism, therefore, because at some early stage after 1810, resources were allocated mainly by market forces.[8]

In a capitalist framework, however, resources should be coordinated and organized for production. Some type of economic organization should emerge for that purpose. Factors are not automatically allocated in the most efficient way. That may happen in the realm of theory, but in the real world there are real people who perform that task – consumers by manifesting their preferences but also producers who supply goods for the satisfaction of demand. While doing so they create economic organizations, firms, that to some extent substitute for the market when allocating resources within them to produce goods.[9] Scholars, whether following a Marxist or a neo-classical lead, tend to ignore, as R. H. Coase pointed out in his Nobel lecture, the role of management and entrepreneurship and, consequently, how goods are produced by firms. Both Marxists and neo-classicals assume a world of zero transaction costs, implying a perfect enforcement of contracts and perfect access to information, while dismissing "what happens in between the purchase of the factors of production and the sale of the goods that are produced."[10] In the real world, far from abstract models, the enforcement of contracts and access to information are costly propositions. Entrepreneurs should coordinate resources in a context of uncertainty and make a profit out of their efforts. None of the general explanations of any process of growth, either before or after 1880, account for that basic organization without which words and figures melt into the air. It is as if profit or the supposed differential rent were just there, waiting in limbo to be homogeneously distributed among whoever entered into rural production. No effort is required in those models to obtain what real people know is hard to get – a positive difference from income and expenditure, equal to or higher than the opportunity cost of the factors

7 Sabato (1989), Brown (1979).

8 The emergence of capitalism in Buenos Aires has been credited to the changes introduced by the 1810 revolution by many historians. But the emphasis has been on a more disciplined organization of labor rather than on the mechanisms for allocating resources. It is in this sense that Halperín Donghi refers to the rationalization of productive activities on the estancia, while discussing Juan Alvarez's and José Ingenieros's interpretations. See Halperín Donghi (1963), 83–86, 97ff.

9 Williamson's "economic organization" and Coase's "firm" are employed interchangeably here. See Coase (1937) and Williamson (1975).

10 Coase (1992), 714.

used for production. So many opportunities are missed that it is hard to believe that comparative advantages can bring about anything by themselves. They are just a precondition, but no automatic revenues are derived from them. Production should be organized by entrepreneurs in a way that a profit is made taking advantage of those conditions, considering the restrictions imposed by a pre-existing institutional framework.

In the nineteenth-century pampas, the economic organization within which resources were coordinated by real managers and entrepreneurs was the estancia. Estancias, those firms, and estancieros, the entrepreneurs, have not been ignored by scholars. But that does not mean that the allocation of resources within the estancia has been explained either. Technological primitivism or the absence of full-fledged proletarians cannot conceal the fact that the estancia was the basic economic organization in the capitalist conditions prevailing on the pampas in the first half of the nineteenth century. Although Brown and Sabato have studied the estancia, their main interest lay in explaining the process of growth in general or the evolution of a sector of production, rather than the internal workings of the basic economic organization, the conditions of production under which it operated, and the result of its operations in micro- rather than macroeconomic terms.[11]

Estancias did not appear on the pampas in 1810. They were there since the early days of Spanish settlement, when land was distributed to secure beef supply to an isolated town. The evolution of estancias in what was thought to be the dark colonial age has been the subject of recent scholarly attention. It is possible to see now that there were no major, dramatic changes at any stage in the internal allocation of resources within estancias and that the basic tasks remained unchanged perhaps until the mid-nineteenth century. But the absence of sudden change did not mean stagnation, since the scale of operations grew steadily from the late eighteenth century, bringing about expansion both for the estancia and for the estancieros' landholdings and cattle-raising operations. This process in turn did change the internal organization of estancias, the conditions of production, and the microeconomic result of their operations, but at a slow pace. All of that was indeed possible, as remarked earlier, because of a growing overseas demand for the pampas' livestock by-products and decreasing governmental interference, paralleled by an increasing but also slowly evolving institutional stability (understood as the rules of the game for production rather than for politics, which certainly overlapped but which were not necessarily identical).

11 Brown studied the formation of the Anchorena cattle business, and Sabato the organization, operations, and economic rationality of sheep-breeding estancias in what are the best chapters of their respective books. See Brown (1979), 174–200; Sabato (1989), 134–168.

Estancias: What was written about them

In the late nineteenth and early twentieth centuries, estancias began to be recognized as a dynamic type of economic organization that was changing the pattern of production on the pampas. In 1875 José María Jurado published a series of articles setting the tone for later studies. In a brief introduction, he traced the origin of cattle on the pampas and the emergence of estancias as cattle-raising establishments. Then he described those estancias and the tasks that cattle ranching required. The second and third parts focused upon horse and sheep breeding, and the fourth and fifth were devoted to the setup and management of estancias.[12]

In the mid-1850s other producers had written on those issues, but for a different reason and describing a different reality.[13] The reason was an inquiry on rural production launched by the head of the Buenos Aires Statistical Department. The reality, Jurado noted, had changed from the mid-1850s to the mid-1870s: from cattle raising on open fields to sheep breeding on fields that were increasingly enclosed. The reality was more mixed, since a small proportion of the province had been enclosed and cattle raising was still an important activity on those open fields. "The cow," remarked Jurado, "will be as it has been the case so far the vanguard of civilization in the occupation of the wild pampa."[14] Quite an unexpected role for a head of cattle, but the metaphor was not that inaccurate. Jurado's description is not different from others, but the vehicle was: a technical publication of the rural producers' organization. He was not describing estancias for outsiders but rather was underscoring – for the producers themselves – the changes that estancias had undergone in recent decades and, to some extent, pointing the direction of further change.

A few years later, Jurado, Ricardo Newton, Felipe Senillosa, and other rural experts published a series of articles devoted to several model estancias.[15] Their extension, capital structure, livestock composition, and in one case its income, expenditure, and profit were described. The intention was, perhaps, to present a few well-established estancias to serve as a model for all rural producers. Less technical, but nonetheless another manifestation of this type of literature, was Estanislao S. Zeballos's account of his visit to rural establishments in the sheep-breeding region.[16] A

12 Jurado (1875). The fifth article was "to be continued," but no continuation was found in that publication.

13 REBA (1855). See this text, Chapters 4 and 10.

14 Jurado (1875), 9(6):187.

15 Jurado, Newton, and Jurado (1878); Senillosa, Newton, and Jurado (1878); Jurado and Márquez (1879); Jurado, Almeida, and Jurado (1879); and Jurado (1879).

16 Zeballos (1888). The introduction of *A través de las cabañas* announced that it would be followed by two volumes, devoted to cattle ranching and horse breeding, entitled *A través de los rodeos* and

companion volume on estancias in the cattle-ranching region was promised but never published.

The practice of describing estancias by stressing the changes taking place in rural production on the pampas continued in two different directions: on the one hand, a series of congratulatory publications; on the other, a more analytical approach, which considered the factors accounting for those changes. A manifestation of the former type were A. R. Fernández's descriptions, included in several issues of his *Prontuario informativo*, published between 1902 and 1907. Fernández aimed to stress the changes introduced in the countryside by progressive estancieros, who were raising cattle and breeding sheep according to updated methods and investing in impressive buildings and other improvements. Fernández's tone and intention can be grasped from his description of the estancia "El Retiro," in Chascomús, owned by Narciso Vivot's estate. Vivot had "founded" that estancia in 1866, turning that "barren land, close to the endless plain of that pampa still suffering the constant attacks of the Indians" into what it then was: an establishment with trees, buildings, agriculture, fine breeds. Even more laudatory were F. Scardin's descriptions. He focused upon nine estancias (compared to scores described by Fernández), aiming at displaying before his readers "the wonders carried out by the hacendados" whose estancias were described.[17]

The articles written as a complement to the 1908 National Agricultural Census manifested the second type of contributions, more analytical than congratulatory. Godofredo Daireaux, author of several technical publications, contributed a chapter on "the Argentine estancia," and Heriberto Gibson, a rural producer, contributed one on the evolution of livestock.[18] Even though the tone of these contributions was more technical, their aim was also to stress the changes undergone by rural production in the Buenos Aires countryside during the last three decades. The modernization of rural establishments, characterized by the expansion of agriculture, wire fencing, trees, sheds, fine pastures, and livestock breeding, had started in the late 1870s.

The technical literature was also flourishing in the last decades of the nineteenth century. From the late 1870s to the early 1900s, Miguel A. Lima, José Hernández, Carlos Lemée, and Godofredo Daireaux published several editions of their handbooks for estancieros: *The Practical Estanciero*; *Instruction of the Estanciero*; *The Argentine Estanciero*; *Cattle-raising on the*

A través de los circos. The second volume of the same series, published in 1883, described the wheat farm region in Santa Fe.

17 Fernández (1902–1907); Scardin (1908).

18 Daireaux (1909), Gibson (1909).

Pampa.[19] These handbooks, rather than being full-fledged technical textbooks, were a collection of practical recommendations covered at best by an unsophisticated technical coating.

Estancias and their owners have never ceased to foster the imagination of the public – to the point that the Argentine version of "Monopoly" is called "Estanciero" – but the literature has changed direction in recent decades. Books describing estancias, praising the achievements of their owners, continued to be published, although the imposition of a personal income tax and the economic crisis of the 1930s conspired, perhaps, against showing off riches that were withering at the same time. A book on the great Argentine estancias, published by Carlos Néstor Maciel in 1939, was the last of that series of congratulatory publications.[20] It described 62 estancias (a few of them in provinces other than Buenos Aires) following Scardin's path: Probably estancieros were still willing to share information on their holdings and lifestyle with curious readers.

The crisis of cattle ranching in Argentina after World War II turned estancias from an archetype of economic success into a murky business. The emergence of an increasingly accepted populist discourse (and even worse, policies) meant that landowners were hardly praised any longer. The nostalgia of better times, however, still captured the minds of writers and the public, so authors such as Yuyú Guzmán, Carlos Antonio Moncaut, Pedro V. Capdevila, and Virginia Carreño have catered to that constituency emotionally attached to things rural and the gilded past.[21] The glorious past remained alive in impressive buildings, which have attracted scholars interested in the history of architecture, such as Jorge O. Gazaneo and Mabel Scarone, and the archeology of rural production, such as Carlos Moreno.[22] A combination of this artistic approach and nostalgia has produced a book on 24 estancias (12 in Buenos Aires, 12 in the rest of the country), lavishly illustrated with Xavier Verstraeten's photographs, accompanied by a non-technical, congenial history of each estancia written by María Sáenz Quesada, the author of a popular book on estancieros. The same approach has been adopted by Juan Pablo Queiroz and Tomás de Elía in a book on 22 estancias (half of them in Buenos Aires). Both books

19 Lima (1876), Hernández (1882), Lemée (1887), Daireaux (1887). The fourth edition of Daireaux's book changed its title to *Cattle Raising on the Modern Estancia*. See Daireaux (1908).

20 Maciel (1939).

21 Guzmán (1976), (1983), and (1985); Carreño (1994); Moncaut (1977) and (1978); Capdevila (1978). A combination of family and rural nostalgia can be found in Líbera Gill (1995). Newton (1970) seems to be a late offspring of the previous congratulatory type issued at a time when nostalgia prevailed.

22 Gazaneo and Scarone (1965), Gazaneo (1969), Moreno (1991). See also the study of rural houses carried out by López Osornio (1944).

describe the same type of estancia, and, in most cases, even the same estancias.[23]

The study of colonial estancias has been recently approached by Carlos Mayo and Juan Carlos Garavaglia in a similar way to that undertaken in Chapters 3 and 4, at least from a formal standpoint. They, however, have not organized their studies around the central economic role of estancias.[24] Mayo, more concerned about social than economic issues, frequently fails to understand the latter, substituting picturesque anecdotes for economic analysis. His studies, nevertheless, have helped us to understand, as already suggested by Halperín Donghi and Cushner, that estancias belonging to religious institutions were not necessarily managed according to unsound economic principles. Mayo has shown as well that the late colonial estancias were quite far from the latifundia that other scholars still believe in against all evidence because they suit their theories, and he has also shown that late colonial estancieros were, as stressed by contemporary observers, far from wealthy and powerful.[25] Garavaglia, in turn, has published quite recently several studies of late colonial estancias, which are a remarkable departure from his inconsequential search for Chayanovian peasants (whose existence explains little from an economic perspective).[26] He shows that, in spite of the absence of any drastic innovation, the structure and organization of estancias was actually changing in the late eighteenth and early nineteenth centuries.

For later periods the academic literature on the Buenos Aires estancias is far from abundant. Perhaps the only addition is Eduardo Míguez's book on the British land companies in late-nineteenth-century Argentina, which includes two chapters on estancias. Three of the estancias he studies were located in Buenos Aires: the Espartillar Estancia Company, owned by John Fair; La Germania Estancia Company; and William Walker's landholdings. To the latter corresponds the most detailed account, especially for the late 1890s and early 1900s, which deals with the formation of the estancia and its operations rather than with the economic outcome of those operations.[27] Although not dealing with any particular estancia, it should be noted that Jorge F. Sabato put together an analytical model of estancieros' economic activities, revealing a strategy aimed at the diversification of

23 Sáenz Quesada and Verstraeten (1992), Sáenz Quesada (1980), Queiroz and de Elía (1995). For a bit more of rural history (but not estancia history) and less lavish illustrations, see Molinari (1987).

24 For a review of the literature on the Buenos Aires colonial estancias and their comparison to similar rural establishments elsewhere in Spanish America, see Fradkin (1993b). See also Garavaglia and Gelman (1995).

25 Mayo (1991a), (1991b), (1995), and Mayo and Fernández (1993). See also Halperín Donghi (1975) and Cushner (1983). For a staunch fidelity to the colonial latifundia, see Azcuy Ameghino (1995).

26 Garavaglia (1993), (1994), (1995a), and (1995c).

27 Míguez (1985), 45–48, 51–55, and 59–95.

investment in different economic sectors.[28] The novelty of his model is better highlighted when contrasted with the Marxist orthodoxy, which depicted estancieros pitted against industrialists, than when set in the context of more traditional accounts free from those artificial conflicts necessitated by a class-struggle interpretation. Sabato's effort is worthwhile, however, since his depiction of an efficient and aggressive "dominant class" effectively undermines, for those who share his tenets, the image of backwardness and inefficiency popularized by some outdated books still read by the general public in Argentina.[29] Sabato cannot do without a "dominant class," but at least his is an efficient one.

Beyond descriptions of a literary or academic fashion, the economic organization of estancias remains to be explained. But before undertaking the analysis of their operations and capital structure, the conditions of production on them, the human action required by them, and the result of estancia activity, a definition of estancias is in order.

Estancias: What they were

Throughout Spanish America, Félix de Azara remarked around 1800, estancias were rural properties "where different types of goods are cultivated." The Buenos Aires Rural Code, passed in 1865, defined them as "establishments devoted only or mainly to livestock raising, either cattle, horses, or sheep," a definition already given by Francisco Millau in 1772. At the end of the eighteenth century, quintas, vegetable gardens, were located up to 1 league from the city; chacras, cereal growing tracts, up to 6 to 8 leagues; and estancias, up to 30 to 40 leagues. Two centuries of Spanish settlement had barely secured an area extending at most 25 leagues from northeast to southwest, from the Paraná River and Río de la Plata to the Salado River, and 60 leagues from northwest to southeast, from the Pago de los Arroyos to Magdalena.[30]

Cattle spread over the pampas with the first Spanish settlement in the region. Hunting expeditions, known as vaquerías, met the ever-erratic demand for export hides during the seventeenth century, but wild herds were depleted by the early decades of the eighteenth century, as revealed by

28 Sabato (1988).

29 Notably Giberti (1970) and Oddone (1956).

30 For the location of quintas, chacras, and estancias, see Millau (1947), 38–39; and Borrero (1911), 4. For the area covered by estancias, see Cipriano Orden Betoño's (Pedro Antonio Cerviño) estimate in *Semanario de Agricultura, Industria y Comercio*, 29 December 1802, 117, quoted by Fernández López (1976), 103; Azara (1910), 84; and Aguirre (1947), 17:333. For a recent study of the soils of the Pampa region and their uses, see Moscatelli (1991); Gómez et al. (1991); Cascardo et al. (1991). For a brief geological and geographical description of the pampas, see Scobie (1964), 15–22. For a more extensive description, see Aparicio and Difrieri (1958).